

LINDA LINGLE
GOVERNOR



CARLITO P. CALIBOSO
CHAIRMAN

WAYNE H. KIMURA
COMMISSIONER

JANET E. KAWELO
COMMISSIONER

**STATE OF HAWAII
PUBLIC UTILITIES COMMISSION
DEPARTMENT OF BUDGET AND FINANCE**

465 S. KING STREET, #103
HONOLULU, HAWAII 96813

August 30, 2004

Via U.S. Mail and E-Mail

Department Of Commerce and
Consumer Affairs
Division Of Consumer Advocacy
P. O. Box 541
Honolulu, Hawaii 96809

William E. Kennard
Paradise MergerSub, Inc.
c/o The Carlyle Group
1001 Pennsylvania Avenue, N.W.
Washington, D.C. 20004-2505

Joel K. Matsunaga
GTE Corporation
Verizon Hawaii Inc.
Bell Atlantic Communications, Inc.
Verizon Select Services, Inc.
P. O. Box 2200
Honolulu, Hawaii 96841

Alan M. Oshima, Esq.
Michael H. Lau, Esq.
Kent D. Morihara, Esq.
Oshima Chun Fong & Chung LLP
841 Bishop Street, Suite 400
Honolulu, Hawaii 96813

Leslie Alan Ueoka, Esq.
Blane T. Yokota, Esq.
Verizon Corporate Services Group Inc.
P. O. Box 2200
Honolulu, Hawaii 96841

Stephen S. Melnikoff, Esq.
Regulatory Law Office
Office Of The Judge Advocate General
U.S. Army Litigation Center
901 N. Stuart Street, Suite 700
Arlington, Virginia 22203-1837

Herbert R. Takahashi, Esq.
Stanford H. Masui, Esq.
Danny J. Vasconcellos, Esq.
Rebecca L. Covert, Esq.
Takahashi, Masui, Vasconcellos & Covert
345 Queen Street, Room 506
Honolulu, Hawaii 96813

J. Douglas Ing, Esq.
Pamela J. Larson, Esq.
Watanabe Ing Kawashima & Komeiji LLP
First Hawaiian Center
999 Bishop Street, 23RD Floor
Honolulu, Hawaii 96813

Laura A. Mayhook, Esq.
J. Jeffrey Mayhook, Esq.
Mayhook Law, PLLC
34808 NE 14th Avenue
La Center, Washington 98629

Dear Parties and Participants:

Re: Docket No. 04-0140 -- Paradise MergerSub, Inc.; GTE Corporation; Verizon Hawaii Inc.; Bell Atlantic Communications, Inc.; and Verizon Select Services Inc. for Approval of a Merger Transaction and Related Matters.

This is to inform you that the Public Utilities Commission will hold public hearings regarding the above-referenced application as follows:

Oahu

Tuesday, October 5, 2004, 6:00 p.m.
State Capitol Auditorium, Basement Level, 415 S. Beretania Street, Honolulu

Kauai

Thursday, October 7, 2004, 6:00 p.m.
Lihue Neighborhood Center (Old Building), 3353 Eono Street, Lihue

Maui

Tuesday, October 12, 2004, 6:00 p.m.
Maui Waena Intermediate School Cafeteria, 795 Onehee Avenue, Kahului

Molokai

Wednesday, October 13, 2004, 6:00 p.m.
Mitchell Pauole Center, Conference Room, Kaunakakai

Lanai

Thursday, October 14, 2004, 6:00 p.m.
Lanai High & Elementary School Cafeteria, Fraser Avenue, Lanai City

Hawaii—Hilo

Tuesday, October 19, 2004, 6:00 p.m.
Hilo Intermediate School Cafeteria, 587 Waianuenue Avenue, Hilo

Hawaii—Kona

Wednesday, October 20, 2004, 8:00 p.m.
Kealakehe Intermediate School Cafeteria, 74-5062 Onipa'a Street,
Kailua-Kona

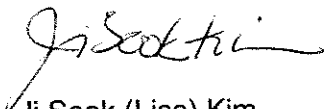
See attached draft "Notice of Public Hearings" ("Notice"). The public hearings' dates, times, and locations have been tentatively confirmed at this time, but for the hearings on the island of Hawaii. While no changes with regards to the Hawaii public hearings are expected at this time, you will be advised if any significant amendments are made. Additionally, a final copy of the "Notice of Public Hearings" will be transmitted to you via electronic-mail.

Upon confirmation, the Notice will be published in the Honolulu Star Bulletin, Hawaii Tribune-Herald, West Hawaii Today, Maui News, and the Garden Island (collectively, "Newspapers") on September 15, 22, 29, and October 4, 2004. In order to publish on the dates listed above, the Notice must be sent to the Newspapers on or shortly after September 3, 2004. As a result, any suggestions or amendments that you may have relating to the Notice should be forwarded to me by September 1, 2004.

Docket No. 04-0140 Parties and Participants
August 30, 2004
Page 3

Should you have any questions or concerns on this matter, please contact me at 586-2013.

Sincerely,

A handwritten signature in black ink, appearing to read "Ji Sook Kim". The signature is fluid and cursive, with the first name "Ji" and last name "Kim" being more prominent.

Ji Sook (Lisa) Kim
Commission Counsel

JSK:eh

Attachment

NOTICE OF PUBLIC HEARINGS

**APPLICATION OF PARADISE MERGERSUB, INC.;
GTE CORPORATION; VERIZON HAWAII INC.;
BELL ATLANTIC COMMUNICATIONS, INC.;
AND VERIZON SELECT SERVICES INC.
FOR APPROVAL OF A MERGER
TRANSACTION AND RELATED MATTERS**

DOCKET NO. 04-0140

THE PUBLIC UTILITIES COMMISSION ("Commission") of the STATE OF HAWAII ("State") HEREBY GIVES NOTICE that it will hold public hearings relating to the application of PARADISE MERGERSUB, INC. ("MergerSub"); GTE CORPORATION ("GTE Corp."); VERIZON HAWAII INC. ("Verizon Hawaii"); BELL ATLANTIC COMMUNICATIONS, INC., dba VERIZON LONG DISTANCE ("Verizon LD"); and VERIZON SELECT SERVICES INC. ("Verizon Select") (collectively referred to as "Applicants") for Commission approval of the proposed transfer of Verizon Hawaii and certain other assets and the financing obligations associated with the transfer ("Application"). The Application was filed on June 21, 2004. The Commission will hold public hearings as follows:

Oahu

Tuesday, October 5, 2004, 6:00 p.m.
State Capitol Auditorium, Basement Level, 415 S. Beretania Street, Honolulu

Kauai

Thursday, October 7, 2004, 6:00 p.m.
Lihue Neighborhood Center (Old Building), 3353 Eono Street, Lihue

Maui

Tuesday, October 12, 2004, 6:00 p.m.
Maui Waena Intermediate School Cafeteria, 795 Onehee Avenue, Kahului

Molokai

Wednesday, October 13, 2004, 6:00 p.m.
Mitchell Pauole Center, Conference Room, Kaunakakai

Lanai

Thursday, October 14, 2004, 6:00 p.m.

Lanai High & Elementary School Cafeteria, Fraser Avenue, Lanai City

Hawaii—Hilo

Tuesday, October 19, 2004, 6:00 p.m.

Hilo Intermediate School Cafeteria, 587 Waianuenue Avenue, Hilo

Hawaii—Kona

Wednesday, October 20, 2004, 8:00 p.m.

Kealahou Intermediate School Cafeteria, 74-5062 Onipa'a Street,
Kailua-Kona

MergerSub, a Delaware corporation, is a wholly-owned subsidiary of Paradise HoldCo, Inc. ("Buyer"). Buyer is a newly formed corporation controlled by affiliates of TC Group, L.L.C., dba The Carlyle Group, a Delaware limited liability company. GTE Corp., a New York corporation and a subsidiary of Verizon Communications Inc., owns all of the issued and outstanding capital stock of Verizon Hawaii. Verizon Hawaii, a Hawaii corporation, is a public utility regulated by the Commission under Hawaii Revised Statutes ("HRS") Chapter 269. Verizon Hawaii, the incumbent local exchange telecommunications carrier, provides local and intraLATA telecommunications services on a statewide basis. Verizon LD, a Delaware corporation, is authorized to: (1) provide telecommunications services in the State on a resold basis; and (2) currently provides inter-island toll services statewide. Verizon Select, a Delaware corporation, is also authorized to provide telecommunications services in the State on a resold basis.

Applicants request, among other things, Commission approval of the following: (1) the merger transaction contemplated by the Agreement of Merger dated May 21, 2004; (2) the transfer of customer accounts and receivables associated with the inter-island toll business of Verizon LD and Verizon Select in connection with the proposed

transfer of control, pursuant to HRS § 269-19; (3) the issuance of a new certificate of authority ("COA") to AssetCo (a newly formed subsidiary of Verizon HoldCo L.L.C. ("Verizon HoldCo"), which is a newly formed subsidiary of GTE Corp.) that contains the same authorizations held by Verizon LD and Verizon Select under their existing respective COAs; (4) the interim transfer of Verizon Hawaii's issued and outstanding capital stock from GTE Corp. to Verizon HoldCo, and the subsequent merger of Verizon HoldCo into MergerSub for the purpose of effectuating the proposed transfer of control, pursuant to HRS § 269-17.5; (5) the guaranty by TelCo Hawaii (Verizon Hawaii under new ownership) and AssetCo of the financing and credit facility arrangements proposed to be obtained by MergerSub for the purpose of effectuating the proposed transfer of control, pursuant to HRS § 269-17; and (6) the pledging of TelCo Hawaii's and AssetCo's respective capital stock and the grant of a security interest in and mortgages on substantially all of TelCo Hawaii's and AssetCo's respective tangible and intangible assets to secure the financing and credit facility arrangements proposed to be obtained by MergerSub for the purpose of effectuating the proposed transfer of control, pursuant to HRS § 269-19.

Aside from Applicants, the parties and participants in this docket are: the DIVISION OF CONSUMER ADVOCACY, DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS; JEREMIAH C. GENOVIA; CHARLES K. HEKEKIA, JR.; the INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS, LOCAL 1357; the UNITED STATES DEPARTMENT OF DEFENSE and ALL OTHER FEDERAL EXECUTIVE AGENCIES; PACIFIC LIGHTNET, INC.; and TIME WARNER TELECOM OF HAWAII, L.P., dba OCEANIC COMMUNICATIONS.

All interested persons are encouraged to attend the public hearings to state their views orally, in writing, or both. Written statements can be submitted prior to the public hearings. Written statements may be mailed or delivered to the Public Utilities Commission, 465 South King Street, Room No. 103, Honolulu, Hawaii, 96813 and can also be sent through electronic mail to the Commission's e-mail address at Hawaii.PUC@hawaii.gov. Statements submitted prior to the public hearings will be posted on the Commission's website at www.hawaii.gov/budget/puc/puc.htm, under the subject matter heading "Telecommunications", and at the Commission's Honolulu and neighbor island district offices.

Copies of the Application and supporting exhibits are available for public inspection during regular business hours at the following locations:

Public Utilities Commission

Honolulu Office: 465 South King Street, Room No. 103
Honolulu, HI 96813
(808) 586-2020

Hawaii Office: 688 Kinoole Street, Room No. 106-A
Hilo, HI 96720
(808) 974-4533

Kauai Office: 3060 Eiwa Street, Room No. 302-C
Lihue, HI 96766
(808) 274-3232

Maui Office: 54 S. High Street, State Office Bldg., Room No. 218
Wailuku, HI 96793
(808) 984-8182

Division of Consumer Advocacy

Department of Commerce and Consumer Affairs

335 Merchant Street, Room No. 326
Honolulu, HI 96813
(808) 586-2800

Verizon Hawaii Inc.

Oahu Office: Customer Center
1177 Bishop Street, Honolulu, HI 96813

Hilo Office: Administration Office
161 Kinoole Street, Hilo, HI 96720

Kona Office: Baseyard Office
74-5529 Kaiwi Street, Kailua-Kona, HI 96740

Kauai Office: Administrative Office
4040 Halau Street, Lihue, HI 96766

Maui Office: Administrative Office
60 South Church Street, Wailuku, HI 96793

Molokai Office: Administrative Office
30 Kamehameha Highway, Kaunakakai, HI 96748

Lanai Office: Central Office
428 9th Street, Lanai City, HI 96763

In addition, the Application, supporting exhibits, and other documents filed in this docket may be viewed on the Commission's website at www.hawaii.gov/budget/puc/puc.htm, under the subject matter heading "Telecommunications".

Special arrangements to accommodate persons with disabilities can be made if requested reasonably in advance of the public hearings by contacting the Commission's Honolulu office at the address listed above.

Carlito P. Caliboso
Chairman

Publication Dates: September 15, 22, 29 and October 4, 2004
Honolulu Star Bulletin
Hawaii Tribune-Herald
West Hawaii Today
Maui News
The Garden Island